

110TH CONGRESS
2D SESSION

S. 2866

To require greater disclosure of senior corporate officer compensation, to empower shareholders and investors to protect themselves from fraud, to limit conflicts of interest in determining senior corporate officer compensation, to ensure integrity in Federal contracting, to close corporate tax loopholes utilized to subsidize senior corporate officer compensation, and for other purposes.

IN THE SENATE OF THE UNITED STATES

APRIL 15, 2008

Mr. REID (for Mrs. CLINTON) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To require greater disclosure of senior corporate officer compensation, to empower shareholders and investors to protect themselves from fraud, to limit conflicts of interest in determining senior corporate officer compensation, to ensure integrity in Federal contracting, to close corporate tax loopholes utilized to subsidize senior corporate officer compensation, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Corporate Executive
3 Compensation Accountability and Transparency Act”.

4 **SEC. 2. LIMITATION ON ANNUAL AMOUNTS WHICH MAY BE**
5 **DEFERRED UNDER NONQUALIFIED DE-**
6 **FERRED COMPENSATION ARRANGEMENTS.**

7 (a) IN GENERAL.—Section 409A(a) of the Internal
8 Revenue Code of 1986 (relating to inclusion of gross in-
9 come under nonqualified deferred compensation plans) is
10 amended—

11 (1) by striking “and (4)” in subclause (I) of
12 paragraph (1)(A)(i) and inserting “(4), and (5)”,
13 and

14 (2) by adding at the end the following new
15 paragraph:

16 “(5) ANNUAL LIMITATION ON AGGREGATE DE-
17 FERRED AMOUNTS.—

18 “(A) LIMITATION.—The requirements of
19 this paragraph are met if the plan provides that
20 the aggregate amount of compensation which is
21 deferred for any taxable year with respect to a
22 participant under the plan may not exceed the
23 applicable dollar amount for the taxable year.

24 “(B) INCLUSION OF FUTURE EARNINGS.—
25 If an amount is includible under paragraph (1)
26 in the gross income of a participant for any

1 taxable year by reason of any failure to meet
2 the requirements of this paragraph, any income
3 (whether actual or notional) for any subsequent
4 taxable year shall be included in gross income
5 under paragraph (1)(A) in such subsequent tax-
6 able year to the extent such income—

7 “(i) is attributable to compensation
8 (or income attributable to such compensa-
9 tion) required to be included in gross in-
10 come by reason of such failure (including
11 by reason of this subparagraph), and

12 “(ii) is not subject to a substantial
13 risk of forfeiture and has not been pre-
14 viously included in gross income.

15 “(C) AGGREGATION RULES.—For purposes
16 of this paragraph, all nonqualified deferred
17 compensation plans maintained by all employers
18 treated as a single employer under subsection
19 (d)(6) shall be treated as 1 plan.

20 “(D) APPLICABLE DOLLAR AMOUNT.—For
21 purposes of this paragraph, the term ‘applicable
22 dollar amount’ means, with respect to any par-
23 ticipant, \$1,000,000.”.

24 (b) EFFECTIVE DATE.—

1 (1) IN GENERAL.—The amendments made by
 2 this section shall apply to taxable years beginning
 3 after December 31, 2008, except that the amend-
 4 ments shall only apply to amounts deferred after
 5 December 31, 2008 (and to earnings on such
 6 amounts).

7 (2) GUIDANCE RELATING TO CERTAIN EXISTING
 8 ARRANGEMENTS.—Not later than 60 days after the
 9 date of the enactment of this Act, the Secretary of
 10 the Treasury shall issue guidance providing a limited
 11 period during which a nonqualified deferred com-
 12 pensation plan adopted before December 31, 2008,
 13 may, without violating the requirements of section
 14 409A(a) of such Code, be amended—

15 (A) to provide that a participant may, no
 16 later than December 31, 2008, cancel or modify
 17 an outstanding deferral election with regard to
 18 all or a portion of amounts deferred after De-
 19 cember 31, 2008, to the extent necessary for
 20 the plan to meet the requirements of section
 21 409A(a)(5) of such Code (as added by the
 22 amendments made by this section), but only if
 23 amounts subject to the cancellation or modifica-
 24 tion are, to the extent not previously included
 25 in gross income, includible in income of the par-

1 ticipant when no longer subject to substantial
2 risk of forfeiture, and

3 (B) to conform to the requirements of sec-
4 tion 409A(a)(5) of such Code (as added by the
5 amendments made by this section) with regard
6 to amounts deferred after December 31, 2008.

7 **SEC. 3. EXECUTIVE REIMBURSEMENT OF COMPENSATION**
8 **FOR MISCONDUCT.**

9 Section 304 of the Sarbanes-Oxley Act of 2002 (15
10 U.S.C. 7243) is amended—

11 (1) in subsection (a), by striking “12-month”
12 each place that term appears and inserting “36-
13 month”;

14 (2) by amending subsection (b) to read as fol-
15 lows:

16 “(b) RULEMAKING TO IMPROVE ENFORCEMENT.—

17 “(1) IN GENERAL.—Not later than 120 days
18 after the date of enactment of the Corporate Execu-
19 tive Compensation Accountability and Transparency
20 Act, the Commission shall develop and issue regula-
21 tions to ensure more effective enforcement of sub-
22 section (a). In developing the regulations required
23 under this paragraph, the Commission shall provide
24 a comment period not to exceed 60 days.

1 “(2) REQUIRED INCLUSIONS.—The regulations
2 required under paragraph (1) shall, at a minimum,
3 clarify—

4 “(A) that the term ‘misconduct’ includes
5 misconduct that results from—

6 “(i) specific illicit actions of a senior
7 executive or officer, including the chief ex-
8 ecutive officer and chief financial officer, of
9 a company, or knowledge of illicit actions,
10 accompanied by willful inaction to address
11 such illicit actions; or

12 “(ii) the willful concealment by such
13 executive or officer, of illicit actions; and

14 “(B) that the term ‘illicit action’ includes
15 any of the following activities:

16 “(i) Backdating stock options to con-
17 ceal liabilities, losses, or any other negative
18 financial information from shareholders
19 and investors.

20 “(ii) Accounting irregularities de-
21 signed to conceal losses, liabilities, or other
22 negative financial information from share-
23 holders, boards of directors, or government
24 regulators, that are required to be dis-

1 closed under this Act, or any other Act,
2 regulation, or rule governing securities.

3 “(iii) Accounting irregularities de-
4 signed to artificially achieve profit or other
5 financial targets that would not have rea-
6 sonably been met under generally accepted
7 accounting principles and industry stand-
8 ards, or through compliance with—

9 “(I) this Act, or any other Act,
10 regulation, or rule governing securi-
11 ties; and

12 “(II) any provision of the Inter-
13 nal Revenue Code of 1986.

14 “(iv) Willfully circumventing the re-
15 porting, independence, due diligence, dis-
16 closure or fiduciary requirements and obli-
17 gations of this Act, or any other Act, regu-
18 lation, or rule governing securities in order
19 to mislead, deceive, or withhold informa-
20 tion that is required to be given to share-
21 holders, boards of directors, and Federal
22 and State regulatory authorities.

23 “(v) Any conduct that violates, or is
24 in conflict with, the legal and fiduciary re-
25 sponsibilities of the senior executive or offi-

1 cer to the shareholders and boards of di-
 2 rectors of such executive or officer.”; and

3 (3) by adding at the end the following:

4 “(c) REPORT.—Not later than 60 days after the date
 5 of enactment of the Corporate Executive Compensation
 6 Accountability and Transparency Act, the Chair of the
 7 Commission shall issue a report—

8 “(1) analyzing the current enforcement efforts
 9 of the Commission in regards to this section; and

10 “(2) listing the legislative, regulatory, or admin-
 11 istrative recommendations of the Commission on
 12 how to remove any current barriers to effective en-
 13 forcement of this section.

14 “(d) COMMISSION EXEMPTION AUTHORITY.—

15 “(1) IN GENERAL.—The Commission may ex-
 16 empt any person from the application of subsection
 17 (a), as it deems necessary and appropriate.

18 “(2) NOTICE.—If the Commission exempts any
 19 person pursuant to its authority under paragraph
 20 (1), the Commission shall, not later than 15 days
 21 after such exemption is granted, issue a public state-
 22 ment explaining the factors surrounding the grant-
 23 ing of such exemption and shall notify the chair-
 24 person and ranking minority member of the appro-
 25 priate committees of Congress.”.

1 **SEC. 4. SHAREHOLDER VOTE ON EXECUTIVE COMPENSA-**
2 **TION DISCLOSURES.**

3 (a) AMENDMENT.—Section 14 of the Securities Ex-
4 change Act of 1934 (15 U.S.C. 78n) is amended by adding
5 at the end the following:

6 “(i) ANNUAL SHAREHOLDER APPROVAL OF EXECU-
7 TIVE COMPENSATION.—

8 “(1) ANNUAL VOTE.—Any proxy or consent or
9 authorization for an annual meeting of the share-
10 holders (or a special meeting in lieu of the annual
11 meeting) occurring on or after January 1, 2009,
12 shall provide for a separate shareholder vote to ap-
13 prove the compensation of executives as disclosed
14 pursuant to the Commission’s compensation disclo-
15 sure rules (which disclosure shall include the com-
16 pensation discussion and analysis, the compensation
17 tables, and any related material). The shareholder
18 vote shall not be binding on the corporation or the
19 board of directors and shall not be construed as
20 overruling a decision by such board, nor to create or
21 imply any additional fiduciary duty by such board,
22 nor shall such vote be construed to restrict or limit
23 the ability of shareholders to make proposals for in-
24 clusion in such proxy materials related to executive
25 compensation.

1 “(2) SHAREHOLDER APPROVAL OF GOLDEN
2 PARACHUTE COMPENSATION.—

3 “(A) DISCLOSURE.—In any proxy solicita-
4 tion material for an annual meeting of the
5 shareholders (or a special meeting in lieu of the
6 annual meeting) occurring on or after January
7 1, 2009, that concerns an acquisition, merger,
8 consolidation, or proposed sale or other disposi-
9 tion of substantially all the assets of an issuer,
10 the person making such solicitation shall dis-
11 close in the proxy solicitation material, in a
12 clear and simple form in accordance with regu-
13 lations of the Commission, any agreements or
14 understandings that such person has with any
15 principal executive officers of such issuer (or of
16 the acquiring issuer, if such issuer is not the
17 acquiring issuer) concerning any type of com-
18 pensation (whether present, deferred, or contin-
19 gent) that are based on or otherwise relate to
20 the acquisition, merger, consolidation, sale, or
21 other disposition, and that have not been sub-
22 ject to a shareholder vote under paragraph (1).

23 “(B) SHAREHOLDER APPROVAL.—The
24 proxy solicitation material containing the disclo-
25 sure required by subparagraph (A) shall provide

1 for a separate shareholder vote to approve such
2 agreements or understandings. A vote by the
3 shareholders shall not be binding on the cor-
4 poration or the board of directors and shall not
5 be construed as overruling a decision by such
6 board, nor to create or imply any additional fi-
7 duciary duty by such board, nor shall such vote
8 be construed to restrict or limit the ability of
9 shareholders to make proposals for inclusion in
10 such proxy materials related to executive com-
11 pensation.”.

12 (b) DEADLINE FOR RULEMAKING.—Not later than 1
13 year after the date of the enactment of this Act, the Secu-
14 rities and Exchange Commission shall issue any final rules
15 and regulations required by the amendments made by sub-
16 section (a).

17 **SEC. 5. DISCLOSURE OF COMPENSATION CONSULTANT AC-**
18 **TIVITIES AND INDEPENDENCE.**

19 (a) RULEMAKING.—Not later than 120 days after the
20 date of the enactment of this Act, the Securities and Ex-
21 change Commission shall issue regulations clarifying and
22 strengthening disclosure requirements for the compensa-
23 tion of consultants or advisors to a compensation com-
24 mittee of any company.

1 (b) CONTENT.—The regulations required under sub-
2 section (a) shall—

3 (1) prohibit any other work or service per-
4 formed by a compensation consultant on behalf of
5 the company that presents a conflict of interest or
6 otherwise compromises the independence of the con-
7 sultant;

8 (2) require the company to certify whether a
9 compensation consultant performed any work, re-
10 search, or preparation, or otherwise had reasonable
11 involvement in a compensation recommendation, is
12 independent; and

13 (3) clarify the standards used by the Securities
14 and Exchange Commission to determine the inde-
15 pendence of compensation consultants, provided that
16 such standards include the following limitations:

17 (A) A compensation consultant who at any
18 time in the previous 18 months prior to the
19 compensation recommendation of such consult-
20 ant to a company had noncompensation con-
21 sulting related business, or otherwise had a
22 noncompensation consultation related financial
23 relationship with that company, shall not be
24 considered independent.

1 (B) A compensation consultant that has or
 2 previously had any financial or professional re-
 3 lationship with a company, the board of direc-
 4 tors of such company, or any senior executive
 5 officers of such company, that would reasonably
 6 be construed as presenting a conflict of interest
 7 in the compensation consultation recommenda-
 8 tion of that consultant shall not be considered
 9 independent.

10 (c) DEFINITION OF COMPANY.—For purpose of this
 11 section, the term “company” means a corporation, asso-
 12 ciation, partnership, trust, limited liability company, lim-
 13 ited liability partnership, or other legal entity.

14 **SEC. 6. REQUIREMENT FOR CERTAIN FEDERAL CONTRAC-**
 15 **TORS TO DISCLOSE EXECUTIVE COMPENSA-**
 16 **TION STRUCTURES.**

17 (a) DISCLOSURE REQUIREMENT.—

18 (1) CIVILIAN CONTRACTS.—Title III of the
 19 Federal Property and Administrative Services Act of
 20 1949 (41 U.S.C. 251 et seq.) is amended by adding
 21 at the end the following new section:

22 **“SEC. 318. REQUIREMENT TO DISCLOSE EXECUTIVE COM-**
 23 **PENSATION STRUCTURES.**

24 **“(a) COMPENSATION STRUCTURE DISCLOSURE.—A**
 25 **contract for the procurement of property or services en-**

1 tered into by an executive agency with a covered con-
 2 tractor shall require the contractor to disclose to the con-
 3 tracting official an accounting of the compensation struc-
 4 tures for the following individuals:

5 “(1) The chief executive officer of the con-
 6 tractor.

7 “(2) The chief financial officer of the con-
 8 tractor.

9 “(3) The 5 most highly compensated executive
 10 officers of the contractor.

11 “(4) Each member of the board of directors of
 12 the contractor, as appropriate.

13 “(b) COMPENSATION DISCUSSION AND ANALYSIS.—
 14 Not later than 90 days after entering into a contract de-
 15 scribed under subsection (a), a covered contractor shall
 16 submit to the contracting official of the executive agency
 17 a compensation discussion and analysis that justifies the
 18 compensation structures for the individuals identified in
 19 such subsection, including a good faith analysis and com-
 20 parison of prevailing standard industry and market com-
 21 pensation structures with the compensation structures for
 22 such individuals.

23 “(c) ANNUAL UPDATE.—The covered contractor shall
 24 submit to the contracting official of the executive agency

1 an annual update of the information required under sub-
2 section (a) for the duration of the contract.

3 “(d) ALTERNATIVE DISCLOSURE REQUIREMENT FOR
4 CERTAIN CONTRACTORS.—

5 “(1) IN GENERAL.—A covered contractor de-
6 scribed in paragraph (2) that is unable to provide
7 the information required under subsections (a) and
8 (b) may instead provide to the contracting official of
9 the executive agency the following:

10 “(A) A certification that the contractor re-
11 ceived less than 50 percent of its annual gross
12 revenues from Federal contracts during the im-
13 mediately preceding fiscal year.

14 “(B) An accounting of the compensation
15 structures for the 3 most highly compensated
16 executive officers of the contractor.

17 “(2) CONTRACTORS ELIGIBLE FOR ALTER-
18 NATIVE DISCLOSURE REQUIREMENTS.—A covered
19 contractor is eligible to provide alternative disclosure
20 under this subsection if it is not publicly held and
21 is a small business concern owned and controlled by
22 socially and economically disadvantaged individuals,
23 a small business concern owned and controlled by
24 veterans, a small business concern owned and con-

1 trolled by women, or a socially and economically dis-
 2 advantaged small business concern.

3 “(3) DEFINITIONS.—In this subsection—

4 “(A) the term ‘publicly held’ means a busi-
 5 ness concern that is—

6 “(i) an issuer of a class of securities
 7 registered or that is required to be reg-
 8 istered pursuant to section 12 of the Secu-
 9 rities Exchange Act of 1934 (15 U.S.C.
 10 781) or that is required to file reports pur-
 11 suant to section 15(d) of that Act (15
 12 U.S.C. 78o(d)); or

13 “(ii) owned by an issuer of a class of
 14 securities registered or that is required to
 15 be registered pursuant to section 12 of the
 16 Securities Exchange Act of 1934 (15
 17 U.S.C. 78l) or that is required to file re-
 18 ports pursuant to section 15(d) of that Act
 19 (15 U.S.C. 78o(d));

20 “(B) the term ‘small business concern
 21 owned and controlled by socially and economi-
 22 cally disadvantaged individuals’ has the mean-
 23 ing given that term in section 8(d)(3)(C) of the
 24 Small Business Act (15 U.S.C. 637(d)(3)(C));

1 “(C) the terms ‘small business concern
2 owned and controlled by veterans’ and ‘small
3 business concern owned and controlled by
4 women’ have the meanings given those terms in
5 section 3 of the Small Business Act (15 U.S.C.
6 632); and

7 “(D) the term ‘socially and economically
8 disadvantaged small business concern’ has the
9 meaning given that term in section 8(a)(4) of
10 the Small Business Act (15 U.S.C. 637(a)(4)).

11 “(e) USE OF INFORMATION IN FUTURE CON-
12 TRACTING DECISIONS.—Information on contractors col-
13 lected under subsections (b) and (d) shall be used by exec-
14 utive agencies in justifying and determining the value of
15 future contract awards.

16 “(f) AVAILABILITY OF INFORMATION.—Information
17 collected under subsections (a) through (d) shall be made
18 publicly available in searchable form through the Federal
19 Procurement Data System described in section 6(d)(4)(A)
20 of the Office of Federal Procurement Policy Act (41
21 U.S.C. 405(d)(4)(A)).

22 “(g) COVERED CONTRACTOR DEFINED.—In this sec-
23 tion, the term ‘covered contractor’ means an individual or
24 entity that received more than \$5,000,000 in annual gross

1 revenues from Federal contracts (or subcontracts at any
2 tier) during the preceding fiscal year.”.

3 (2) DEFENSE CONTRACTS.—

4 (A) DISCLOSURE REQUIREMENT.—Chapter
5 137 of title 10, United States Code, is amended
6 by adding at the end the following new section:

7 **“§ 2334. Requirement to disclose executive compensa-**
8 **tion structures**

9 “(a) COMPENSATION STRUCTURE DISCLOSURE.—A
10 contract for the procurement of property or services en-
11 tered into by an agency with a covered contractor shall
12 require the contractor to disclose to the contracting official
13 an accounting of the compensation structures for the fol-
14 lowing individuals:

15 “(1) The chief executive officer of the con-
16 tractor.

17 “(2) The chief financial officer of the con-
18 tractor.

19 “(3) The 5 most highly compensated executive
20 officers of the contractor.

21 “(4) Each member of the board of directors of
22 the contractor, as appropriate.

23 “(b) COMPENSATION DISCUSSION AND ANALYSIS.—
24 Not later than 90 days after entering into a contract de-
25 scribed under subsection (a), a covered contractor shall

1 submit to the contracting official of the agency a com-
2 pensation discussion and analysis that justifies the com-
3 pensation structures for the individuals identified in such
4 subsection, including a good faith analysis and comparison
5 of prevailing standard industry and market compensation
6 structures with the compensation structures for such indi-
7 viduals.

8 “(c) ANNUAL UPDATE.—The covered contractor shall
9 submit to the contracting official of the agency an annual
10 update of the information required under subsection (a)
11 for the duration of the contract.

12 “(d) ALTERNATIVE DISCLOSURE REQUIREMENT FOR
13 CERTAIN CONTRACTORS.—

14 “(1) IN GENERAL.—A covered contractor de-
15 scribed in paragraph (2) that is unable to provide
16 the information required under subsections (a) and
17 (b) may instead provide to the contracting official of
18 the agency the following:

19 “(A) A certification that the contractor re-
20 ceived less than 50 percent of its annual gross
21 revenues from Federal contracts during the im-
22 mediately preceding fiscal year.

23 “(B) An accounting of the compensation
24 structures for the 3 most highly compensated
25 executive officers of the contractor.

1 “(2) CONTRACTORS ELIGIBLE FOR ALTER-
 2 NATIVE DISCLOSURE REQUIREMENTS.—A covered
 3 contractor is eligible to provide alternative disclosure
 4 under this subsection if it is not publicly held and
 5 is a small business concern owned and controlled by
 6 socially and economically disadvantaged individuals,
 7 a small business concern owned and controlled by
 8 veterans, a small business concern owned and con-
 9 trolled by women, or a socially and economically dis-
 10 advantaged small business concern.

11 “(3) DEFINITIONS.—In this subsection—

12 “(A) the term ‘publicly held’ means a busi-
 13 ness concern that is—

14 “(i) an issuer of a class of securities
 15 registered or that is required to be reg-
 16 istered pursuant to section 12 of the Secu-
 17 rities Exchange Act of 1934 (15 U.S.C.
 18 781) or that is required to file reports pur-
 19 suant to section 15(d) of that Act (15
 20 U.S.C. 78o(d)); or

21 “(ii) owned by an issuer of a class of
 22 securities registered or that is required to
 23 be registered pursuant to section 12 of the
 24 Securities Exchange Act of 1934 (15
 25 U.S.C. 78l) or that is required to file re-

1 ports pursuant to section 15(d) of that Act
2 (15 U.S.C. 78o(d));

3 “(B) the term ‘small business concern
4 owned and controlled by socially and economi-
5 cally disadvantaged individuals’ has the mean-
6 ing given that term in section 8(d)(3)(C) of the
7 Small Business Act (15 U.S.C. 637(d)(3)(C));

8 “(C) the terms ‘small business concern
9 owned and controlled by veterans’ and ‘small
10 business concern owned and controlled by
11 women’ have the meanings given those terms in
12 section 3 of the Small Business Act (15 U.S.C.
13 632); and

14 “(D) the term ‘socially and economically
15 disadvantaged small business concern’ has the
16 meaning given that term in section 8(a)(4) of
17 the Small Business Act (15 U.S.C. 637(a)(4)).

18 “(e) USE OF INFORMATION IN FUTURE CON-
19 TRACTING DECISIONS.—Information on contractors col-
20 lected under subsections (b) and (d) shall be used by agen-
21 cies in justifying and determining the value of future con-
22 tract awards.

23 “(f) AVAILABILITY OF INFORMATION.—Information
24 collected under subsections (a) through (d) shall be made
25 publicly available in searchable form through the Federal

1 Procurement Data System described in section 6(d)(4)(A)
 2 of the Office of Federal Procurement Policy Act (41
 3 U.S.C. 405(d)(4)(A)).

4 “(g) COVERED CONTRACTOR DEFINED.—In this sec-
 5 tion, the term ‘covered contractor’ means an individual or
 6 entity that received more than \$5,000,000 in annual gross
 7 revenues from Federal contracts (or subcontracts at any
 8 tier) during the preceding fiscal year.”.

9 (B) CLERICAL AMENDMENT.—The table of
 10 contents at the beginning of such chapter is
 11 amended by adding at the end the following
 12 new item:

“2334. Requirement to disclose executive compensation structures.”.

13 (b) AMENDMENT OF FEDERAL ACQUISITION REGU-
 14 LATION.—Not later than 120 days after the date of the
 15 enactment of this Act, the Federal Acquisition Regulatory
 16 Council shall amend the Federal Acquisition regulation
 17 issued pursuant to section 25 of the Office of Federal Pro-
 18 curement Policy Act (41 U.S.C. 421) to provide for the
 19 implementation of the requirements of section 318 of the
 20 Federal Property of Administrative Services Act of 1949,
 21 as added by subsection (a)(1) and section 2334 of title
 22 10, United States Code, as added by subsection (a)(2).

1 **SEC. 7. INCREASING TRANSPARENCY ON STOCK OPTIONS**
2 **ACCOUNTING AND ACCURATE VALUATION OF**
3 **EXECUTIVE COMPENSATION.**

4 (a) IN GENERAL.—Notwithstanding any other provi-
5 sion of law, not later than 90 days after the date of the
6 enactment of this Act, the Securities and Exchange Com-
7 mission, in a manner consistent with the goal of providing
8 investors with a clearer and more complete picture of the
9 compensation earned by the principal executive officer,
10 principal financial officer, the highest paid executive offi-
11 cers, and the members of the board of director of a com-
12 pany, shall issue regulations that require each company
13 subject to the jurisdiction of the Commission to disclose,
14 in clear terms, the full grant date present value of equity
15 instruments that are used as executive compensation
16 awards in the Summary Compensation Table of each such
17 company.

18 (b) DEFINITION OF COMPANY.—For purpose of this
19 section, the term “company” means a corporation, asso-
20 ciation, partnership, trust, limited liability company, lim-
21 ited liability partnership, or other legal entity.

22 (c) RULE OF CONSTRUCTION.—Nothing in this sec-
23 tion shall be construed to enable the Securities and Ex-
24 change Commission to take action that would materially
25 weaken any current reporting or disclosure requirements
26 or to allow an alternative valuation not consistent with the

- 1 standard of “full grant date present value of equity instru-
- 2 ments” to meet the goals of subsection (a).

